

REPORT OF ACCOMPLISHMENTS 1995 – 1998 “PROTECTING CALIFORNIA’S CONSUMERS”

HELPING URBAN COMMUNITIES

CDI has been a proven leader in identifying problems in the insurance market and developing innovative ways to solve those problems for California’s consumers. For example, in the last four years, CDI implemented new methods to address the problem of availability and affordability of insurance in urban areas and encourage the active participation of the insurance industry in an innovative statewide program to promote fire safety.

Efforts to Spur Insurance Involvement in Urban Areas

CDI is committed to providing greater access to insurance coverage for those communities that historically have been under-served and under-insured. The main criteria for identifying an under-served community include a high-uninsured motorist rate, high minority percentage, and low per-capita income. Promoting more involvement in communities long neglected by the insurance industry has become a staple of CDI’s management direction. In this effort, CDI is calling on industry and community groups to participate in an outreach program targeted at California’s under-served communities. Many people in these communities do not have adequate access to information about insurance. They’ve never been told why it’s important, what its real costs are, and what their options are with respect to coverage and company selection.

The Commissioner’s Report on Under-served Communities

CDI initiated several studies on under-served communities to accurately measure the special needs and dynamics of that segment of society. The results of these studies are

contained in the *Commissioner’s Reports on Under-served Communities*. This has led to efforts to address the following important issues:

- In 1995, 151 zip codes were under-served.
- Approximately 6% of all private passenger auto insurance in California was sold in under-served communities.
- Only 4-5% of insurance agents or service offices are located in under-served communities – considerably lower than the approximately 16% of people who live in under-served communities.
- Only about 6% of total solicitations by mail were made to under-served communities.¹

These reports represent an important step in assessing the insurance industry’s participation in all California communities. In fact, a number of insurers have already initiated programs to increase their participation in under-served communities. Future reports will be a useful tool in evaluating the success of these programs.

CDI believes that it must take a proactive role in making information about insurance more available to those individuals living in under-served communities. In order to ensure these efforts receive consistent attention, CDI created the External Affairs and Policy Branch—the main purpose of which is to serve as an advocate and agent for individuals and communicates historically disconnected from the insurance industry. CDI’s studies indicate that many residents of high-uninsured communities have little information about insurance. The average uninsured tends to be much more disconnected from the insurance system

¹ California Department of Insurance, Statistical Analysis Bureau, 1996 Commissioner’s Report on Under-served Communities.

and typically does not engage in efforts to obtain insurance. CDI, the insurance industry, and other community-based organizations must take advantage of opportunities to fill the information void.

California Organized Investment Network

In February 1996, CDI established the **California Organized Investment Network** (COIN) to facilitate insurance industry investments in California communities in need of economic development or low-income housing. Since its inception, the COIN program has worked to increase the level of insurance industry capital committed to sound investments for economic development and affordable housing benefiting California's low to moderate income urban and rural communities.

COIN was initially conceived as a three-year voluntary pilot program in place of a proposed legislative mandate requiring the insurance industry to either report annually about community development investments or to invest a percentage of premium revenues into investments benefiting low-and moderate-income communities.

COIN's primary purpose is to help insurers identify investment opportunities in under-served communities. These investments may include municipal bonds, commercial property acquisitions, low-income housing tax credit funds and direct investments in financial intermediaries. COIN has also devised numerous tools, such as the *Investment Policy*, *Investment Bulletin*, *Impact Capital*, and the *Product Committee* that help the insurance industry "discover" opportunities previously overlooked.

Since its beginning, COIN's remarkable success exceeded expectation – **the insurance industry has voluntarily invested over \$260 million in a variety of projects, including more than \$144 million in 1998 alone.**² COIN has been such a success that many other states, such as Missouri, New York, Louisiana, and Massachusetts, are using it as a model for their efforts to boost insurance investment in under-served communities.

Embedded in COIN's success is its ability to help community organizations understand what types of investments are made by insurers and help insurers understand that simply looking at traditional "Wall Street" investment vehicles can often ignore a whole world of safe, yet rewarding investments in California's communities. COIN has also been successful in stimulating dialogue within the insurance

industry regarding innovative ways to invest in under-served communities.

"Commissioner Quackenbush's leadership in this important area is admirable. When the final two reports are finalized, we will have a three-year profile to reference that will enable us to precisely assess how well companies have worked to increase access to insurance products to people in under-served communities over that three-year time span."

—Andrew Ysiano, President
*California Hispanic Chamber
of Commerce*

Despite these early successes, CDI intends to vigorously pursue those companies that have not responded to the initial efforts. CDI must continue to focus its attention on working with companies to effectively provide access to insurance products to people in under-served communities.

² California Department of Insurance, News Release, "Insurance Commissioner Releases First-Ever Report on Under-served Communities".